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SUBJECT: CHARGE D'AFFAIRES' MEETING WITH JAPANESE MINISTRY
OF DEFENSE DIRECTOR GENERAL TAKAMIZAWA

Classified By: James P. Zumwalt, Charge d'Affaires, a.i.,
per 1.4 (b/d)

Summary

¶1. (C) Ministry of Defense (MOD) Defense Policy Bureau Director General Nobushige Takamizawa, urged the U.S. Government to confirm that the U.S. restriction on year-to-year, incremental funding for multi-year projects like the Mamizu projects in Guam is a U.S. Government-wide policy and not just the viewpoint of working-level officials at the Department of Defense in a September 5 meeting with the Charge. He explained the potential benefits of applying the Japanese system of incremental funding that can work in favor of both governments and expressed support for the Ministry of Foreign Affairs (MOFA) efforts to seek tax exemption for the Mamizu projects. Takamizawa downplayed U.S. and NATO concerns on Russia in light of China's rapid increase in military capabilities, but criticized MOFA's sudden change in position on military engagement between Japan and Russia. END SUMMARY.

Guam Funding Mechanism

¶2. (C) Takamizawa explained that he had earlier conducted an intense, two-day negotiation with the Ministry of Finance (MOF) on the FY2009 MOD budget. MOF Minister's Secretariat Director General Yasutake Tango -- who served previously as former Prime Minister Koizumi's Executive Assistant -- had expressed his personal concerns over problems on Guam funding and cautioned Takamizawa not to let the issue become a target of political debate. Tango reportedly stressed the importance of achieving steady implementation of DPRI projects and urged Takamizawa to be absolutely certain that the U.S. decision not to accept Japan's request for incremental funding for the Mamizu projects in Guam is shared across the U.S. Government and not limited to Department of Defense working-level officials. Takamizawa added that he had invited the Charge to dinner so that he could tell MOF that he had met with the Charge and asked for an "absolute" confirmation that the restriction on incremental funding is a U.S. Government-wide restriction. He asked the Charge half-jokingly to share with his contacts at MOF that he and Takamizawa had an intense discussion over the Guam funding mechanism and that Takamizawa had demanded strongly that the

U.S. Government agree to incremental funding for the Mamizu projects in Guam.

Potential Problem in MOF Budget Bureau DDG Kagawa

¶3. (C) Takamizawa said that Tango is a reasonable man and can be persuaded if MOD can demonstrate that the Japanese and U.S. Government had conducted a thorough negotiation, including at the political level, and concluded that there is no way for the U.S. side to accept incremental funding for the Mamizu projects. Unlike Tango, however, Budget Bureau DDG Shunsuke Kagawa is an inflexible bureaucrat who can potentially create difficulties on Guam. Kagawa has been dealing with realignment issues for a long time, and will not be satisfied until he sees "tangible results" (vice "tangible progress") in DPRI implementation, Takamizawa cautioned.

Benefits of Incremental Funding

¶4. (C) Takamizawa stated repeatedly that the U.S. Government would help MOD "tremendously" if it could accept incremental funding for Mamizu. The so-called "Authorization of National Debt for Later Years (Contract Authorization)" will actually work in favor of both governments to obtain funding for the Mamizu projects. MOD would only need to request from MOF a small token amount for the first year to secure the contract for large, multi-year projects like the Mamizu projects. MOD would also face limited scrutiny by the Diet or MOF on the details of the project since the amount would be relatively small. Takamizawa explained further that once the contract is secured, funding for the project (starting FY2010) would be given priority because the Japanese government would be legally bound to honor the contract. By then, there would be less interest and attention given to the details of the project by the Diet and MOF. DDG for Realignment Initiatives Marui echoed Takamizawa's explanation and emphasized that the Contract Authorization would be duly noted in the Guam International Agreement, which would be legally binding for both the Japan and the United States. Takamizawa added that MOF is pleased with MOD's decision to submit funding requests for next generation helicopters and fighters (CX and FX) for FY2009, implying that if the U.S. Government concurs on the incremental funding issue, it will help boost his political capital with MOF. The Charge responded that Washington is reviewing the matter and that we are coordinating with a number of other U.S. agencies to be sure there is absolutely no other alternative.

Tax Exemption on Mamizu Projects

¶5. (C) Takamizawa also raised MOFA's efforts to seek U.S. tax exemption on the Mamizu projects. MOD agrees with MOFA's argument that it is odd to tax a Japanese government project that will ultimately become a U.S. asset. The total amount of direct cash contribution from Japan (USD 2.5 billion) should, therefore, start from minus the amount taxed by the United States. Takamizawa explained that there are two important prerequisites for Japanese funding for Guam: 1) Japanese money will be used to build facilities in Guam that will result in "lessening the burden on Okinawa;" and 2) Japanese money will be used efficiently. Takamizawa asserted that the U.S. Government will collect revenue from taxing the Mamizu projects, which will violate the second prerequisite and might invite unnecessary suspicion in the Diet. MOFA officials are planning to travel to Washington sometime during this month to seek clarification from the Department of State on the types of taxes that will be applied to Japan. He added that, to date, MOFA has not been able to obtain a clear response from DOS. (NOTE: Takamizawa clearly did not understand the tax issue. When asked if he were referring to import tariffs, sales taxes, corporate profits taxes, or income taxes on employees, he said he did not know and

admitted that this issue was of more interest to MOFA than to MOD. Marui used the term "value added taxes," which do not exist in the United States. END NOTE.)

Strategic Dialogue, 2-plus-2 in Spring

16. (C) In an effort to set a positive tone on the Guam funding issue, Takamizawa described the Guam project as "unprecedented" and that creative thinking by both sides can overcome the problem. Takamizawa observed that there has been a tremendous increase in the variety and range of issues in the past decade for both governments to address. He noted, however, that real strategic discussion between both governments lags behind the increase in issues, perhaps due in part to the slow generational change among the alliance managers. In this regard, he believes Defense Minister Hayashi is both able and willing to engage in unscripted, strategic discussions with Secretary Gates -- a clear departure from previous Defense Ministers. Takamizawa also noted the need for a new U.S.-Japan security declaration that reflects the changed strategic environment since the 1996 Clinton-Hashimoto joint declaration. He also suggested that both governments pursue a two-plus-two meeting in the spring after the change in the U.S. administration.

Dealing with Diet Members on Guam Issue

17. (C) Takamizawa said he welcomes U.S. engagement with Diet members, but there are Diet members who warrant advance notice to MOD, particularly Democratic Party of Japan (DPJ) Rep. Keiichiro Asao, the self-proclaimed "shadow defense minister." He described Asao as smart, shrewd, and

continually looking for an opportunity to challenge GOJ bureaucrats. He is well-versed in security issues, especially on DPRI-related issues such as Guam housing, and at times seems to have more information than bureaucrats. Takamizawa said he wants to be able to be ready to answer Asao's questions at all times, and preferably leave him with the impression that MOD has done its homework. The least optimal situation would be Asao asking a question, knowing that MOD was not prepared to answer, then saying that he had received information from the U.S. Government and accuse MOD of negligence on the job.

Request Information on Number of Clinics in Okinawa

18. (C) DDG Marui complained that he is not able to obtain adequate information from JGPO that will allow him to explain to the Diet the need for Guam funding. He, too, does not believe there needs to be an exact match on number of facilities built in Guam. What is more important is that the capabilities in Okinawa equal those in Guam. In other words, capabilities that currently do not exist in Okinawa cannot be provided by Japan as that would be an augmentation of capabilities in Guam, as opposed to a relocation. If the U.S. side wants Japan to build, for example, medical clinics in Guam, then the U.S. side should provide, at a minimum, the number of clinics that currently exist in Okinawa. Marui stressed that he would not be able to seek Diet approval for Guam funding without such information. USFJ J-5 Director, who accompanied the Charge, explained that he should not need a "one for one" correlation to facilities on Okinawa, and that the construction of facilities on Guam that meet modern standards should be more easily explained to the Diet.

Views on Russia and China

19. (C) Takamizawa said he was called in by former Prime Minister Nakasone to brief him on the 2008 Defense White

Paper. Despite U.S. and NATO concern towards Russia, China's military build-up is a bigger concern, according to the White Paper. The number of ASDF scrambles due to the Russian air force increased recently from approximately 150 times per year in 2003-2004, to about 300 times per year. He added, however, that during the Cold War in 1985, the number of scrambles were about 1,000 times per year, or approximately three times per day. Takamizawa said there are occasions in which the ASDF would scramble in response to the Chinese air force, but not as often as with the Russians, probably due to distance. Yet he observed that the capabilities of the Chinese air force are definitely improving in recent years.

¶10. (C) Takamizawa criticized MOFA officials on their attitude towards Russia and the situation in Georgia. MOFA was, at first, reluctant to approach the Georgia issue, but is now taking an increasingly critical and hardline stance towards Russia, including its push to cancel the joint search and rescue exercise (SAREX) between Japan and Russia. Takamizawa thought this is excessive, pointing out that the capability of the Russian navy is so low that it pales in comparison even with that of the JMSDF.

ZUMWALT